

Poor corporate earnings take toll on falling stocks

STAR BUSINESS REPORT

Stocks dipped below the 4,100-point mark last week, after a two-week gaining streak, as poor earnings of listed firms dented investors' confidence.

DGEN, the benchmark general index of Dhaka Stock Exchange, finished the week at 4,098.69 points, after plunging 186.27 points or 4.35 percent after 10 trading sessions.

"The Dhaka stockmarket is again in the falling trend, as most of the banks, non-bank financial institutions and some manufacturing companies reported lower earnings than their respective previous quarters," said LankaBangla Securities in its market analysis.

According to half-yearly declarations, banking sector's earnings declined by 9.4 percent compared to the previous half year, as most of the banks came up with higher provisioning during this quarter,

the stockbroker said.

IDLC Investments said it seemed to be a disappointment for the investors as financial institutions along some companies released their half-yearly earnings which failed to meet the investors' expectation.

Moreover, negative latest quarter earnings by some banks further accelerated the market sell-off, as it critically deteriorated investors' confidence, the merchant bank said.

"Encashment attitude ahead of the Eid festival further sped up the market fall. Deteriorated confidence, risk-aversion and encashment attitude and disinclination to make fresh investment accelerated the market fall throughout the week."

Average daily turnover, the most vital indicator for the present market, stood at Tk 223 crore, a 4.40 percent fall compared to the previous week. Out of 275 issues traded,

58 advanced, 214 declined and three remained unchanged.

All the major sectors lost market price where telecom suffered the most with a decline of 6.78 percent, followed by non-bank financial institutions 6.59 percent, fuel and power 4.85 percent, banks 4.62 percent and pharmaceuticals 2.03 percent.

Seventeen companies, including eight mutual funds of the Investment Corporation of Bangladesh (ICB), made corporate declaration last week. The ICB approved 100 percent to 600 percent dividends on its eight mutual funds.

Bangladesh Submarine Cable Company topped the week's turnover chart with shares worth Tk 69 crore changing hands.

The Second ICB Mutual Fund was the biggest gainer of the day, posting a rise of 46.21 percent, while the ICB AMCL Third NRB Mutual Fund featured in the top losers' chart, slumping by 16.95 percent.

United Airways to resume Dhaka-Bangkok flights

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United Airways, the country's lone private airline that operates international flights, will resume its flights on Dhaka-Bangkok route on August 12.

The flights were suspended a year ago due to a low passenger flow to Bangkok after devastating floods in Thailand.

The one way special fare for the route starts from Tk 13,613 while a return ticket will cost Tk 21,861, inclusive of all taxes, said Mohammad Kamrul Islam, assistant general manager of the airline.

The airline is restarting the flights for leisure, medical and business travellers of both the countries, he said, adding that there will be two flights on Sundays and Thursdays.

United Airways, the first publicly listed aviation company of Bangladesh, will use MD-83 aircraft, which is a safe and speedy aeroplane with comfort-

able seats, Islam said.

At present, United operates flights on international routes from Dhaka to Jeddah, Dubai, Muscat, Kuala Lumpur, Kathmandu and Kolkata, and also from Chittagong to Muscat and Kolkata. It also operates flights to all major domestic destinations from Dhaka.

The airline is set to add four Jetstream aircraft to its existing fleet of nine -- two DASH-8-100, two ATR-72, three MD-83 and two Airbus-310 -- by September to expand its domestic routes.

"We plan to launch passenger flights to Barisal from next month. We also have plans to fly to Karachi, Doha and Yangon by the year-end," said Islam.

The company's authorised capital is Tk 1,000 crore, while paid-up capital is Tk 441 crore, according to Dhaka Stock Exchange data. Each United Airways share traded between Tk 14.40 and Tk 15 on Thursday before closing at Tk 14.50 on the DSE.



Azharul Islam, chief executive officer of Ace Autos, poses with the award for "Best after-sales service manager" at the Great Wall Motor's Dealer Conference for 2012 at Beijing in China recently.

Indian microlender SKS losses narrow in Q1

AFP, Mumbai

India's only listed microlender, SKS Microfinance, on Friday said its losses in the fiscal first quarter narrowed sharply on the back of a drop in bad debt provisions and loan write-offs.

SKS posted a net loss of 388.4 million rupees (\$7.06 million) for the three months to June, from a loss of 2.18 billion rupees for the same period a year earlier. It was the sixth consecutive quarterly loss for the firm.

Debt provisions and write-offs fell to 96 million rupees from more than one billion rupees, the Hyderabad-based firm said, adding that total income in the quarter fell nearly 61 percent to 590 million rupees.

SKS has been under a cloud since 2010 after the state of Andhra Pradesh -- the hub of the microfinance industry -- accused microlenders of exploiting poor borrowers with exorbitant lending rates and abusive debt collection practices.

Microlenders offer loans as low as \$20 to small business people and farmers.

SKS, which has 5.07 million clients in 18 states, has seen its business in Andhra Pradesh erode sharply since the state government decided to crack down on the activities of microlenders to curb the alleged wrongdoings.

SKS on Friday said it has sharply reduced its lending activities in Andhra Pradesh and shifted its focus to states such as West Bengal, Karnataka, Madhya Pradesh, Bihar and Orissa to boost revenue.

Last year, the firm's founder-chairman Vikram Akula, who set up the lender in 1997, quit amid reported differences about how to revive the company's fortunes.

The passage of new federal legislation is now awaited that will make India's central bank the sole regulator for the microfinance sector.

DSE floats tender for sale of membership licence

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But the market crash of last January took the shine off stock exchange membership.

For instance, last year, Social Islami Bank Limited paid Tk 72 crore for a DSE membership, a fall by 32.5 percent from only a year ago. Fareast Islami Life Insurance paid Tk 40 crore for its DSE membership purchase three months back.

"With the secondary market not performing well, and with falling transaction value and volume, the income from a stock membership has shrunk," the DSE official said.

DGEN, the benchmark index of the Dhaka bourse, scaled the highest, with 8,918 points, in December 2010, when a single day turnover as high as Tk 3,249 crore was recorded.

Now, the DGEN has fallen to 4,098 points, with the single day turnover hovering around Tk 210 crore.

"These figures are enough to tell the situation of the stock exchange members and the hard days they are passing through," the DSE official added.

DSE, at present, has 238 members.

Summit signs \$120m loan deal with Germany's DEG for power plant

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Aziz Khan said the total cost of the project has been estimated at \$285 million, which is the single largest project ever built by any Bangladeshi company in the country. "The work has been going in full swing. We hope to add electricity to the national grid by August 2013," he said.

Of the total cost, Summit Group hopes to borrow \$50 million from Standard Chartered Bank and \$30 million from state-run Infrastructure Development Company Ltd.

The local leading power company has paired with General Electric to set up the power plant, with the American business conglomerate supplying gas turbine, the main equipment of the power plant.

Khan also said two Chinese companies -- CNEC and NEPC -- are constructing the gas-fired combined cycle power plant.

DEG is a member of KfW Bank Group, a financial arm of the German government.

Combined cycle plants use heat generated by simple cycle gas or oil generator unit to produce extra power and ensure less fuel consumption and



AI BL

Badir Rahman, chairman of Al-Arafah Islami Bank, hands the keys of an ambulance to the authority of Kurmitola High School as part of the bank's corporate social responsibility yesterday. Ekramul Hoque, managing director of the bank, was also present.



SUMMIT

Ayesha Aziz Khan, finance director of Summit, and Florian Munkle, investment manager of DEG (German Investment Corporation), sign a deal in Cologne in Germany on Thursday for a syndicated loan of \$120 million to develop the 335-megawatt Meghnaghat-2 power project in Narayanganj. Muhammed Aziz Khan, chairman of Summit Group, and Rolf Grunwald, director for infrastructure of DEG, were also present. Story on B1

Supermarket chains plan to expand

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The official said ACI Logistics is working to break the market cartels of essential products, which often influence prices, by sourcing directly from the farmers.

"We are offering competitive prices, which are even lower than the conventional market rates in some cases," said Nasir.

He said the business model of Shwapno is somewhat different from that of other chain superstores as its targeted customers are not the affluent community, rather middle- and lower middle-class people.

The idea of superstore business flourished in Bangladesh last decade, fuelled by growing urbanisation, increasing number of working women, and rising per capita income, said industry leaders.

At present, there are 24 companies with more than 100 outlets across the country, according to Bangladesh Supermarket Owners' Association.

Their combined annual turnover stands at more than Tk 1,500 crore, with the government receiving around Tk 30 crore in value added tax, according to data of the association.

Rahimafroz also plans to set up 40 new outlets in cities including Dhaka, Chittagong and Sylhet by 2015," said Niaz Rahim, managing director of the company.

Their total costs of expansion may stand at about Tk 200 crore.

"The expansion will boost consumer

confidence and help create markets for manufacturers," said Rahim, who is also president of the supermarket owners' association.

"Once the supermarket culture is established, the prices of commodities will see stability," he said.

Supermarket operators, however, said the sector is facing a number of challenges -- a lack of a unified monitoring system, higher import duties on capital machinery and higher VAT.

They said superstore owners have to pay up to 105 percent in duties on the import of capital machinery relating to the sector, while other industries pay a maximum of 5 percent, which is hurting growth of superstores in Bangladesh.

Supermarkets account for around 2 percent of the total sales in the country, which is around 10 percent in India, said Ahmed of Gemcon Group.

Around 38,000 shops, including superstores, are now in operation in Dhaka, he said.

Supermarkets have to pay 4 percent trade VAT, while other shops pay VAT at a flat rate, said Ahmed.

"It is a discriminatory policy, which is not only hampering growth of the sector, but also depriving the government of revenue," he added.

"So, the government should introduce a flat rate for all the market players to protect consumer interest," said Ahmed.

ADB offers \$215m for stockmarket reforms

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The ADB said the capital market tribunal will help the stock regulator detect trading irregularities and market abuse, leading to a rise in investor confidence.

Before releasing the first tranche of the funds, an amendment to Securities and Exchange Commission Ordinance 1969 regarding the formation of the special tribunals has to be placed in parliament for passage.

And before the second tranche is released, the amended act has to be passed in parliament, according to the conditions.

Banks' exposure to the stockmarket will not exceed 25 percent of their capital, the ADB said. Now rules permit the banks to invest up to 10 percent of their deposits in the stockmarket.

For this, the lender said, the government will have to amend the banking company act.

The amended bill should go to parliament before the first tranche is made available and the bill should get a go-ahead before the release of the second instalment.

The ADB has also attached a condition that the demutualisation act for stock exchanges has to be placed in parliament.

The ADB draft said the demutualisation would segregate ownership, management and trading rights of members and convert the two exchanges

into commercial and more professionally-run organisations.

The stock exchanges will then be able to pursue their strategic interests including market development with more vigour, the lender said.

The exchanges will also be less susceptible to the members' vested interests, it said.

A finance ministry official said they are likely to place the demutualisation act in parliament by December.

Another major condition is about the passage of financial reporting act in parliament.

Once the act gets through, the lender said, the accounting and auditing standards will be upgraded to enhance market confidence and allow for informed investment decisions.

The ADB set some other conditions related to strengthening the SEC, and to develop the bond market.

Of \$215 million funds, \$15 million is for market stability (for SEC's additional staff work time, coordination committee staff time maintenance and operation cost of SEC surveillance equipment), \$100 million is for market facilitation (cost of demutualisation and establishment of capital market tribunal, operation cost of financial reporting council), \$5 million for supply measures, and \$95 million is for demand measures.



GHEL

Mostaq Ahmed, managing director of Green Housing and Energy Ltd (GHEL), and Kim In Soo, president of Sigmats Co, attend a programme where the companies signed a deal recently. GHEL will distribute Sigmats's LED lights and receive technical support to set up assembly and production plants of the Korean technology in Bangladesh.

At half-price, Facebook still faces doubts

AFP, Washington

Facebook shares have lost nearly half their value since a highly-touted public offering in May, but it's still not a bargain for some.

Facebook in the past week dropped below \$20 a share for the first time since its \$38 offering price in May. On Friday, the stock rebounded five percent to \$21.09 but remains down a hefty 44.5 percent.

There is some fear that shares could take another hit in mid-August after the expiration of a "lockup," a 90-day period after the IPO during which insiders are barred from selling.

Michael Comeau of the financial website Mynyanville says 268 million shares could come onto the market, in

addition to the 460 million that are already floated. And more will become available later this year.

"I'm fixated on the 268 million shares that hit in two weeks," he said. "Will there be enough buyers to satisfy the new supply?"

Comeau said analyst full-year earnings estimates on Facebook "are actually coming down" from 51 cents per share to 49 cents.

"Declining earnings estimates are usually a negative indicator for momentum stocks," he added.

Facebook underwhelmed the market in July when it reported its first earnings as a public company, barely meeting estimates for earnings per share and delivering disappointing revenue growth.

UN body reappoints Wahiduddin as member

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Plans to bring a geographical balance, gender balance and a balance between continuity and change in the membership of the committee were also on his agenda.

The committee provides inputs and independent advice to the council on emerging global development issues and on international cooperation for development.

The committee is responsible for reviewing the status of least developed countries and for monitor-